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JOUTEL COPPER MINES LIMITED
(NO PERSONAL LIABILITY)

Annual Report

FOR THE YEAR ENDED DECEMBER 31st, 1971

Joutel Copper Mines Limited

(No PERSONAL LIABILITY)

DIRECTORS

K. BURN, Q.C.	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
J. O. HINDS	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
PAUL M. KAVANAGH	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
W. S. ROW	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario

OFFICERS

J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	President
PAUL M. KAVANAGH	-	-	-	-	-	-	-	-	-	-	Vice-President
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	Secretary
I. D. BAYER	-	-	-	-	-	-	-	-	-	-	Treasurer
A. D. DICKSON	-	-	-	-	-	-	-	-	-	-	General Manager
D. B. CAMPBELL, Joutel, Quebec	-	-	-	-	-	-	-	-	-	-	Manager

HEAD OFFICE

SUITE 605 - 399 ST. JOSEPH STREET EAST
QUEBEC CITY, P.Q.

EXECUTIVE OFFICE

SUITE 1600 - 44 KING STREET WEST
TORONTO 1, ONTARIO

MINE OFFICE

JOUTEL, QUEBEC

TRANSFER AGENT AND REGISTRAR

THE ROYAL TRUST COMPANY
P.O. Box 7500 - Postal Station "A"
Toronto 116, Ontario

ANNUAL MEETING

Wednesday, April 12th, 1972, at 12:30 p.m.
Le Chateau Champlain, Montreal, Quebec

JOUTEL COPPER MINES LIMITED

(No Personal Liability)

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the Annual Meeting of the Shareholders of the Company to be held on Wednesday, the 12th day of April, 1972 at the time and place and for the purposes set forth in the Notice of Meeting.

VOTING SHARES

At the close of business on February 10th, 1972 the Company had 4,889,073 outstanding common shares of a par value of \$1.00 each and the holders of such shares are entitled to one vote for each share held, at such Meeting and at any adjournment thereof. The Management of the Company has been informed that Kerr Addison Mines Limited is the only person or company which owns beneficially, directly or indirectly more than 10% of the outstanding common shares of the Company, owning 3,097,091 shares, or 63% at February 10th, 1972.

Only shareholders of record at the time set for the Meeting will be entitled to vote at the Meeting or any adjournment thereof.

ELECTION OF DIRECTORS

The Management of the Company proposes to nominate the five persons listed below as Directors of the Company. Each Director so elected will hold office until the next annual meeting or until his successor is duly elected, or appointed. It is the intention of the persons named in the enclosed form of proxy to vote for the election of the persons nominated, all of whom are now Directors of the Company and have been since the dates indicated. If any of the nominees should be unable to serve as Directors of the Company for any unforeseen reason the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

<u>Name</u>	<u>Positions and Offices with the Company</u>	<u>Principal Occupation</u>	<u>Became Director</u>	<u>Common shares owned directly or indirectly at February 10th, 1972</u>
K. Burn, Q.C.		Vice-President and General Counsel of Canada Permanent Companies.	1966	101
J. O. Hinds		Executive Assistant to the President of Noranda Mines Limited since 1968, prior to which he was Assistant to the President of Noranda Mines Limited.	1971	1
Paul M. Kavanagh	Vice-President	Vice-President of Kerr Addison Mines Limited.	1971	1,000
W. S. Row		Executive Vice-President of Noranda Mines Limited.	1961	501
J. H. Stovel	President	President of Kerr Addison Mines Limited.	1964	1

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- (1) Aggregate direct remuneration paid or payable by the Company and its subsidiaries in 1971 to the Directors and senior officers of the Company was \$57,720.
- (2) Estimated aggregate cost to the Company and its subsidiaries in 1971 of all pension or retirement benefits proposed to be paid to the Directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age was \$1,783.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Clarkson, Gordon & Co. have been auditors of the Company for more than five years.

OTHER BUSINESS

The Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to the Management should come before the Meeting, shares represented by proxies solicited by the Management will be voted on each such matter in accordance with the best judgment of the nominee voting same.

On behalf of the Board,

R. D. STEWART,
Secretary.

February 10th, 1972.

Joutel Copper Mines Limited

(NO PERSONAL LIABILITY)

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report for the year ended December 31st, 1971. The Manager's report covering operations is included herein.

Net income for the year declined from \$1,280,000 in 1970 to \$476,000 reflecting a substantial reduction in the price of copper. While copper production and operating costs were maintained at 1970 levels, the average price received for copper during the year was 49¢ per pound compared to 64¢ a year earlier. Dividends totalling 40¢ per share were paid during the year and working capital was reduced by \$341,000.

Ore reserves at year-end were estimated to be 148,000 tons containing 2.19% copper and 200,000 tons containing 11.5% zinc.

Last year was marked by economic uncertainty and loss of confidence as growth rates declined in the major industrial countries. This was reflected in reduced demand and weaker markets for metals generally.

Consumption of copper was marginally lower and production capacity increased. However, actual refined production was reduced by the U.S. industry strike, lower output in Zambia, and problems in Peru and Chile.

The London Metal Exchange price declined from 58¢ U.S. per pound in March to 47½¢ at the year-end, while the U.S. producers' prices moved from 50⅜¢ to 52¾¢ in March and then to 50¼¢ in November. Prices in Canada started at 51¢, rose to 53¢ in March and again to 53¾¢ with the stronger Canadian dollar, before being reduced to 50⅜¢ in November.

Mine operating costs were \$7.14 per ton treated compared to \$7.22 per ton the previous year. For the second consecutive year there were no compensable accidents. The Manager, Mr. Campbell, his staff and all employees are to be congratulated on a safe and efficient operation.

During September this Company suffered a grievous loss in the untimely death of Mr. Edward Futterer who had been with the Company since 1964 and a Director and Vice-President since 1966. He contributed valued advice and service not only to this Company, but to the entire mining industry through the work he did to further advanced education for students entering our industry.

On behalf of the Board,

J. H. STOVEL,

President.

January 26th, 1972.

Joutel Copper

(No Personal Liability)
(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET (with comparative figures)

ASSETS

CURRENT:	1971	1970
Cash and short-term commercial notes	\$ 51,795	\$ 353,805
Accounts receivable	4,475	6,454
Smelter settlements, at estimated value	1,124,983	1,230,868
Prepaid expense	23,378	25,929
Inventory of supplies, at lower of cost and market	34,233	31,927
	<u>1,238,864</u>	<u>1,648,983</u>
FIXED:		
Buildings and equipment, at cost	1,618,451	1,571,629
Less accumulated depreciation (note 1)	1,260,561	978,561
	<u>357,890</u>	<u>593,068</u>
Mining properties, at cost less amortization (note 1)	82,175	163,775
	<u>440,065</u>	<u>756,843</u>
DEFERRED:		
Exploration, development and other expenditures, at cost less amortization (note 1)	775,840	1,472,587
Prepaid milling expenses	119,691	239,407
Hydro deposit	8,138	13,552
	<u>903,669</u>	<u>1,725,546</u>
	<u>\$2,582,598</u>	<u>\$4,131,372</u>

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Joutel Copper Mines Limited
(No Personal Liability):

We have examined the balance sheet of Joutel Copper Mines Limited (No Personal Liability) as at December 31, 1971, and the statements of operations, deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1971, the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 19, 1972.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Lines Limited

LIABILITY)
laws of Quebec)

DECEMBER 31, 1971

December 31, 1970)

LIABILITIES

CURRENT:	1971	1970
Accounts payable and accrued charges	\$ 182,048	\$ 158,168
Mining taxes payable	57,936	104,648
Balance of dividends payable	26,722	72,815
	<u>266,706</u>	<u>335,631</u>
CAPITAL AND DEFICIT:		
Capital stock —		
Authorized:		
5,000,000 shares of a par value of \$1.00 each		
Issued:		
4,889,073 shares	4,889,073	4,889,073
Less discount	1,753,300	1,753,300
	<u>3,135,773</u>	<u>3,135,773</u>
(Deficit) earned surplus	(819,881)	659,968
	<u>2,315,892</u>	<u>3,795,741</u>
On behalf of the Board:		
J. H. STOVEL, Director.		
PAUL M. KAVANAGH, Director.		
	<u>\$2,582,598</u>	<u>\$4,131,372</u>

financial statements)

NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. Depreciation and amortization charges

Depreciation and amortization with respect to mining properties, buildings and equipment, and exploration, development and other expenditures are being provided on the basis of writing off such assets and expenditures over the estimated productive life of the mine.

2. Income taxes

No income taxes are payable on the current year's income as the company has sufficient unclaimed exploration, development and other expenditures incurred prior to the end of the three year tax free period which ended February 28, 1970.

3. Remuneration of directors and officers

Remuneration was paid to directors and senior officers of \$1,700 and \$56,020 respectively in 1971 (\$1,700 and \$55,600 in 1970).

Joutel Copper Mines Limited

(NO PERSONAL LIABILITY)

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
Earned surplus, beginning of year	\$ 659,968	\$1,824,732
Net income for the year	475,780	1,279,772
	<u>1,135,748</u>	<u>3,104,504</u>
Dividends declared (per share 1971 — 40¢; 1970 — 50¢)	1,955,629	2,444,536
(Deficit) earned surplus, end of year	<u><u>\$ (819,881)</u></u>	<u><u>\$ 659,968</u></u>

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
REVENUE:		
Metal produced	\$3,471,783	\$4,402,539
Interest earned	21,768	59,703
	<u>3,493,551</u>	<u>4,462,242</u>
EXPENSE:		
Cost of metal production	1,708,200	1,782,061
Administrative and corporate	81,171	77,809
	<u>1,789,371</u>	<u>1,859,870</u>
Income before depreciation, amortization and mining taxes	1,704,180	2,602,372
DEPRECIATION AND AMORTIZATION:		
Exploration, development and other expenditures	736,800	722,000
Buildings and equipment	282,000	288,000
Mining properties	81,600	81,600
	<u>1,100,400</u>	<u>1,091,600</u>
Provision for mining taxes	128,000	231,000
	<u>1,228,400</u>	<u>1,322,600</u>
Net income for the year	<u><u>\$ 475,780</u></u>	<u><u>\$1,279,772</u></u>
Earnings per share	<u><u>10¢</u></u>	<u><u>26¢</u></u>

(See accompanying notes to financial statements)

Joutel Copper Mines Limited

(NO PERSONAL LIABILITY)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
SOURCE:		
From operations —		
Net income from operations	\$ 475,780	\$1,279,772
Add items deducted in arriving at net income which did not involve an outlay of cash:		
Amortization of exploration, development and other expenditures	736,800	722,000
Provision for depreciation	282,000	288,000
Amortization of mining properties	81,600	81,600
	<hr/>	<hr/>
	1,576,180	2,371,372
Recovery of prepaid milling expenses	119,716	123,032
Reduction in hydro deposit	5,414	3,732
	<hr/>	<hr/>
Total source of funds	1,701,310	2,498,136
	<hr/>	<hr/>
APPLICATION:		
Exploration, development and other expenditures	40,053	25,706
Purchase of fixed assets	46,822	30,670
Dividends declared	1,955,629	2,444,536
	<hr/>	<hr/>
Total funds applied	2,042,504	2,500,912
	<hr/>	<hr/>
Decrease in working capital	341,194	2,776
Working capital, beginning of year	1,313,352	1,316,128
	<hr/>	<hr/>
Working capital, end of year	<u>\$ 972,158</u>	<u>\$1,313,352</u>

(See accompanying notes to financial statements)

Joutel Copper Mines Limited

(No PERSONAL LIABILITY)

MANAGER'S REPORT

TO THE PRESIDENT AND DIRECTORS:

The following is a report of operations at the mine during 1971:

PRODUCTION

	1971	1970
Dry tons milled	239,201	246,760
Average dry tons per calendar day	655	676
Average grade of ore (%Cu.)	2.25	2.17
Concentrate grade (% Cu.)	22.9	22.5
Recovery (%)	92.9	92.1

DEVELOPMENT

Drifts and cross cuts (ft.)	1,464	1,842
Raises (ft.)	835	1,060
Blast-hole drilling (ft.)	—	17,717
Diamond drilling to detail ore (ft.)	11,829	14,393
Exploration drilling (ft.)	—	3,348

Reserves of copper ore at year end were estimated at 148,300 tons with an average grade of 2.19% as compared to 387,600 tons grading 2.35% copper a year earlier. The zinc zone is now estimated to contain 200,400 tons of 11.5% zinc and development of this zone is continuing.

The mill efficiency improved in 1971 with recovery increasing from 92.1% to 92.9% and the concentrate grade improved from 22.5% to 22.9% copper.

The manpower situation remains steady with 72% of all employees on the payroll for more than one year.

There were no compensable accidents during 1971 and none since the third quarter of 1969.

The loyal services of the staff and employees and the assistance and continued support of the Officers and Directors are gratefully acknowledged.

Respectfully submitted,

D. B. CAMPBELL,
Manager.

January 11, 1972.